Practically Speaking

Strategic Planning Guide

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Most individuals have a tendency to spend the majority of their energy and resources dealing with immediate challenges and needs, with comparatively little time spent thinking about the "big picture." The same is true for organizations and the people who keep them running; time spent in survival mode leaves little bandwidth left for strategic planning, especially in the case of small or medium-sized businesses (SMBs).

Strategic planning is a responsibility that begins at the top with organizational leaders and business owners. You're tasked with overseeing the organization's purpose and direction not just for today, but projecting years into the future. Stepping away from the demands of your everyday role and dedicating the mental effort to plan for issues that are not yet at your doorstep, is no easy task — some organizational leaders are lucky if they get to it once per year.

A slim majority of Canadian small businesses are optimistic about their long-term future performance and growth prospects, according to a January 2023 study by the Canadian Federation of Independent Business (CFIB). Thinking seriously about the future, staying ahead of trends, and planning to meet your consumers' and clients' future needs, is what gives credibility to that optimism. Otherwise, it's just wishful thinking that your future circumstances will be better.

The purpose of this guide is to offer pragmatic suggestions on how to approach strategic planning, and to change your frame of mind about how it can benefit your organization.

Scenario planning

One would be hard pressed to find a better real-life test case for scenario planning than COVID-19. With almost no notice, nearly all Canadian organizations were forced to dramatically adapt their operations. Although the pandemic was impossible to predict, organizations that had previously planned for worst-case scenarios like this were the most agile and stable in the face of change.

COVID taught us that most organizations and people are more resilient, and more flexible, than they previously thought, especially when their circumstances truly demand it. Scenario planning is a creative process that makes organizations more resilient, flexible, and agile no matter what external forces are working for or against them.

In the most recent Business Outlook Survey from the Bank of Canada, businesses expressed a high level of concern about scenarios that are largely beyond their control: higher interest rates, declining real estate prices, the possibility of a recession in Canada, inflation, weakening demand, and labour capacity, among others. These are the kinds of externalities that you can focus on during your scenario planning efforts, ideally before they reach your doorstep, so you can manage them better than the competition.

You can also look at macro-level economic trends that manifest themselves more slowly, and don't always dominate today's news headlines. Some examples in Canada could include declining birth rates, the aging workforce and population, the long-term impacts of climate change, technological advancements and automation, and shifts in consumer preferences.

As part of your scenario planning, ask yourself:

- What are the best- and worst-case scenarios that we need to be prepared for?
- Where does our organization fit into the trends we're observing? If we plan early and act proactively, could we turn a trend that looks negative on the surface into a positive?
- How likely is each scenario to take place, and how severe would the impacts be if it does happen?
- Who should be involved in the process of scenario planning that would add value to the conversation? What expertise do we need?

As an organizational leader, you may be asking yourself where you will find the time and resources to plan for scenarios that might happen, when so many scenarios that are already happening consume all your time and energy.

While these feelings are understandable, you should note that scenario planning is not only about thinking of risks and negative outcomes; it's a creative process that opens your eyes to future opportunities and informs your strategy. In fact, a scenario planning session can be one of the best ways to uncover creativity in your organization — it yields immense benefits even if none of the crises you planned for actually end up happening.

Environmental consciousness

The passage of time only adds a sense of urgency for Canada to meet its emissions targets — 40 percent below 2005 levels by 2030, and net-zero by 2050 — as well as climate pledges made through The Paris Agreement.

Until now, stringent monitoring and reporting of organizations' environmental footprint in Canada has mostly been limited to large businesses, government agencies, and publicly traded companies. But that is likely to change in the next few years: smaller organizations and private SMBs will also need to track and report key climate metrics.

According to data from the Canada Climate Law Initiative, 30 percent of the country's greenhouse gas emissions come from SMBs, and yet only 31.5 percent of SMBs are currently implementing climate initiatives. Further research from the Smart Prosperity Institute and the University of Toronto indicates that 63 percent of Canadian businesses surveyed said they are not currently tracking, and have no plans to track, greenhouse gas emissions. Clearly, there is still work to be done to close the gap between climate objectives and reality among smaller Canadian organizations and private SMBs.

If you're an organizational leader looking to improve your environmental responsibility and compliance, and reduce climate-related risks, ask yourself these questions as a starting point:

- Where does my motivation to reduce my environmental footprint come from? Is it rooted in cost efficiency, regulatory risk, reputational risk, or just a desire to leave behind a better world?
- Are there any initiatives or new business practices we could roll out in the near future that would lead to less water, energy, or materials consumption?
- How much of our organizational waste comes internally, and how much comes from our external suppliers? How manageable is our supply chain risk?
- Assuming we can't do everything at once, what climate-related metrics should our organization treat as the first priority?
- What new tools and expertise would we need to track our environmental footprint for reporting purposes?

The most prudent way for all Canadian organizations to proceed is to assume that climate reporting regulations will become more demanding in the next two to five years, and plan accordingly. Whether the pressure comes from a government regulator or by the public companies to whom you supply goods and services, it's on the horizon.

Social impact

Social, the “S” in ESG, has evolved well beyond the old norms of Corporate Social Responsibility (CSR), community engagement, or charitable contributions.

Your organization’s social impact should first be focused on taking care of your own people. If you don’t, your external-facing social initiatives and efforts are often seen as hypocritical. There are many ways to create positive social outcomes internally — focus on Equity, Diversity, and Inclusion (EDI), building a strong workplace culture, fair workplace practices (including pay equity), and occupational health and safety.

Once you have your own house in order, you can focus on external initiatives and priorities that fall under the “social” umbrella — these include aligning yourself with worthwhile causes in your community that are in harmony with your organizational purpose, protecting the privacy of your consumers, and being conscious of the dire reality of modern slavery.

The point of modern slavery is particularly important; human rights violations could appear in your supply chain without your knowledge, if you’re not vigilant. A study from York University showed that only 29 percent of Canadian companies are actively looking beyond their first tier of suppliers, even though modern slavery often lurks in the lower tiers of the supply chain. More strict regulations on modern slavery oversight and reporting are already on their way for Canadian organizations.

As you begin to assess your social commitments and initiatives, ask yourself the following:

- Which of our social priorities have a clear written plan and policy attached to them? How often are those policies reviewed or updated?
- How prepared are we for the possibility of increased regulatory scrutiny and/or reporting demands on aspects of our social strategy, such as modern slavery and occupational safety?
- How high or low is our supply chain risk, and what is our process for checking in with suppliers to ensure compliance?
- What are the positive outcomes with key stakeholders — employees, customers, investors, etc. — if we take our social commitments more seriously? What are we risking if we don’t prioritize positive social impacts enough?

Some aspects of the “S” in ESG, including modern slavery and EDI, may seem out of reach and out of sight if you run a small organization or SMB. But as a leader, telling yourself things like “that could never happen here” or “only big companies need to worry about that” is dangerous. Even if yours isn’t a big organization, chances are you supply or sell your goods and services to organizations that will care about these things, and they will be checking to ensure your values and actions are aligned with theirs. The costs of being lackadaisical in your social commitments can be significant.

Governance best practices

According to Statistics Canada, roughly 98 percent of all employer businesses in Canada are considered small businesses, and they employ almost two thirds of the total labour force. While these figures should in many ways be considered positive and indicative of a strong entrepreneurial spirit in Canada, they also shed a light on the need for strong governance — a high number of Canadian workers are concentrated in a relatively small number of large organizations, and governance is often less of a priority the smaller an organization gets.

Many of the organizational failures we read about in the news are ultimately failures of governance. The prevailing norms of governance that dictated the behaviour of executive boards in past decades may not be sufficient now. Today's boards of directors need to be more hands-on in making sure the organizations they oversee have the correct strategy, and that the strategy is implemented successfully. They also need to take the lead in overseeing the "E" and "S" elements of ESG.

Here are some questions to guide your discussions on whether your board is performing its governance duties to a high standard:

- What are the best indicators or metrics our organization can use to measure effective governance?
- How well do the members of our board know, on a personal level, the CEO and those who work alongside them? How often do we communicate?
- Are we asking the right probing questions when the CEO or other executives present information to us, or are we more inclined to just take it at face value?
- If there was a threat to our business or organization, would we know about it beforehand with enough lead time to mitigate risks?

Expectations of boards — how much they know, when they know it, and how involved they are in strategy and compliance — are rising. For example, board members in Canada can now be held responsible for unsavoury dealings at their organizations such as corruption, fraud, or bribes, even if they personally were not directly involved in the wrongdoing. It's likely that scrutiny will only increase over time.

What comes next

Strategic planning requires you to step back and look at the big picture. The more thorough you are, the more time and resources it will take. Therefore, the process does not occur naturally in a world where what's happening here and now demands so much of our attention. You need to make it a deliberate effort and a priority.

There is no telling what challenges the future may hold, which is why the act of planning is so valuable. It breeds creativity, agility, and resilience when economic or socio-political circumstances take a turn for the worse. If you wait until those tough times arrive, then the time for planning has passed. Being proactive is an investment in your organization's health and prosperity.

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Contributors

Mary Larson, MBA, ICD.D
Partner
mary.larson@mnp.ca
514.228.7905

Kevin Joy, MBA
Partner
kevin.joy@mnp.ca
514.228.7898

Edward Olson
Partner
edward.olson@mnp.ca
250.763.8919

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